



Umzimkhulu Municipality
Annual Financial Statements
for the year ended 30 June 2009

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

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Responsibility of the Accounting Officer

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 28 ,and in appendix A,B,C,D,E(1) and E(2) in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

L.H. Mapholoba
Municipal Manager

Umzimkhulu Municipality

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Statement of Financial Position

		Note(s)	2009 R	2008 R
Assets				
Current Assets				
Trade and other receivables from exchange transactions	<u>31.20</u>	8	842 286	792 250
VAT	<u>31.20</u>	9	2 188 573	6 209 038
Consumer debtors	<u>31.20</u>	10	1 690 297	1 336 440
Investments	<u>27.29</u>	7	41 939 718	46 935 823
Cash and cash equivalents	<u>32.20</u>	11	468 870	7 000
			47 129 744	55 280 551
Non-Current Assets				
Investment property	<u>21.20</u>	3	542 995	-
Property, plant and equipment	<u>20.20</u>	4	52 569 624	45 128 591
Intangible assets	<u>23.22</u>	5	611 786	-
Assets in construction	<u>27.27</u>	6	44 759 642	13 987 859
			98 484 047	59 116 450
Total Assets			145 613 791	114 397 001
Liabilities				
Current Liabilities				
Finance lease obligation	<u>25.29</u>	13	81 576	70 710
Trade and other payables	<u>51.20</u>	15	28 682 246	25 169 240
Unspent conditional grants and receipts	<u>43.20</u>	14	13 658 403	24 696 831
Bank overdraft	<u>32.20</u>	11	-	94 395
			42 422 225	50 031 176
Non-Current Liabilities				
Finance lease obligation	<u>25.29</u>	13	45 375	126 951
Total Liabilities			42 467 600	50 158 127
Net Assets			103 146 191	64 238 874
Net Assets				
Accumulated surplus	<u>40.24</u>		103 146 191	64 238 874

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Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue			
Property rates		1 769 494	1 355 423
Service charges		1 177 488	1 362 578
Rental Income		262 588	287 246
Interest received		675 318	574 823
Licences and permits		-	1 612 829
Government grants	17	95 563 155	35 539 678
Motor vehicle licences		222 361	99 539
Miscellaneous other revenue		1 001 334	763 947
Recoveries		158 851	139 168
Other income		-	2 729 169
Sundry income		3 535	689 288
Interest received - investment		743 396	1 026 305
Total Revenue		101 577 520	46 179 993
Expenditure			
Personnel	20	(17 368 495)	(14 749 493)
Remuneration of councillors	21	(6 931 983)	(5 782 678)
Administration		(101 492)	-
Depreciation and amortisation	22	(4 039 965)	(2 370 105)
Finance costs	23	(22 764)	(95 442)
Repairs and maintenance		(2 726 381)	(1 822 871)
General Expenses	18	(35 484 994)	(24 044 821)
Total Expenditure		(66 676 074)	(48 865 410)
Gains on disposal of assets		991 842	(75 049)
Surplus (deficit) for the year		35 893 288	(2 760 466)
Attributable to:			
Net Asset holders of the controlling entity		35 893 288	(2 760 466)

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Statement of Changes in Net Assets

	Capitalisation reserve R	Government grant reserve R	Accumulated surplus R	Total net assets R
Balance at 01 July 2007	-	13 998 838	10 786 159	24 784 997
Changes in net assets				
Net surplus/deficit for the year	-	-	(2 760 464)	(2 760 464)
Off-setting depreciation	-	(889 038)	889 038	-
Adjustments (Refer to note 27)	-	-	9 335 971	9 335 971
Transfer to Accumulated surplus	-	(13 109 800)	13 109 800	-
Deferred Charges transferred to Accumulated Surplus	-	-	32 878 370	32 878 370
Total changes	-	(13 998 838)	53 452 715	39 453 877
Balance at 01 July 2008	-	-	64 238 874	64 238 874
Changes in net assets				
Write off of accounts with no movement	-	-	1 724 071	1 724 071
Net profit for the year	-	-	35 893 286	35 893 286
Prior Year adjustments (Refer to note 27)	-	-	1 289 960	1 289 960
Total changes	-	-	38 907 317	38 907 317
Balance at 30 June 2009	-	-	103 146 191	103 146 191

Note(s)

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Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash receipts from customers		51 888 301	44 730 939
Cash paid to suppliers and employees		(14 562 343)	(23 692 138)
Cash generated from operations	24	37 325 958	21 038 801
Interest income		743 396	1 026 305
Finance costs		(22 764)	(95 442)
Net cash from operating activities		38 046 590	21 969 664
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(12 352 041)	(18 451 774)
Sale of property, plant and equipment	4	669 098	-
movement in assets in construction		(30 771 783)	(13 987 859)
PPE Adjustments - Prior year		39 006	(4 377 003)
Movement in investments		4 996 105	(10 516 328)
Movement in government grant reserve		-	(889 038)
Deferred income		-	25 166 394
Net cash from investing activities		(37 419 615)	(23 055 608)
Cash flows from financing activities			
Finance lease payments		(70 710)	2 588
Total cash movement for the year		556 265	(1 083 356)
Cash at the beginning of the year		(87 395)	995 961
Net increase (decrease) in cash and cash equivalents	11	468 870	(87 395)

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on a accrual basis of accounting and are in accordance with historical cost convention unless otherwise specified.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. The municipality has utilised the transitional provisions set out in Directive 4 issued by the Accounting Standards Board.

The principle accounting policies adopted in the preparation of these financial statements are set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note in the relevant policy .

1.1 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the municipality, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.2 Property, plant and equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

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Accounting Policies

1.2 Property, plant and equipment (continued)

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Item	Average useful life
Infrastructure	
• Roads and paving	30 years
• Pedestrian Malls	30 years
• Electricity	0-30 years
• Water	15-20 years
• Sewerage	15-20 years
Community	
• Buildings	30 years
• Recreational facilities	20-30 years
• Security	5 years
Other property, plant and equipment	
• Buildings	30 years
• Specialist vehicles	10 years
• Other vehicles	5 years
• Office equipment	3-7 years
• Furniture and fittings	7-10 years
• Watercraft	15 years
• Bins and containers	5 years
• Specialised plant and equipment	10-15 years
• Other items of plant and equipment	2-5 years
• Landfill sites	15 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Assets in construction are stated at historical cost. Depreciation only commences when the asset is commissioned into use.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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Accounting Policies

1.3 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

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Accounting Policies

1.4 Financial instruments (continued)

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Financial assets at fair value through profit or loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in surplus or deficit for the period.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit.

Available for sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in net assets until the security is disposed of or is determined to be impaired.

The municipality assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit – is removed from net assets and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance.

Impairment losses recognised in surplus or deficit for equity investments classified as available-for-sale are not subsequently reversed through surplus or deficit. Impairment losses recognised in surplus or deficit for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of financial performance as part of 'other income'. Dividends on available-for-sale equity instruments are recognised in the statement of financial performance as part of 'other income' when the municipality's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

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Accounting Policies

1.4 Financial instruments (continued)

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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Accounting Policies

1.6 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Employee benefits

Retirement benefits

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical aid and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical aid and pension funds on their behalf and thus there are no post employment benefits.

1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the

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Accounting Policies

1.8 Provisions and contingencies (continued)

reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.9 Grants, Transfers & Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.10 Revenue from exchange transactions

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property, and are levied monthly.

Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

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Accounting Policies

1.10 Revenue from exchange transactions (continued)

Interest and rental income is recognized on a time proportion basis.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Unauthorized Expenditure

Unauthorized expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and Wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.15 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.16 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

1.17 Internal Reserves

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.17 Internal Reserves (continued)

accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of new GRAP standards

1.18 Investments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.19 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.21 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.22 Contributions

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund, working capital reserve (provision for bad debts).

Leave provision is calculated on the number of compoundable leave days outstanding as at the Statement of financial position date, using the daily employment cost rate.

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
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2. Statements and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 18 – Segment Reporting.
- GRAP 23 – Revenue from Non-exchange transaction
- GRAP 24 – Budget Information
- GRAP 100 – Heritage Assets.

3. Investment property

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	904 992	(361 997)	542 995	-	-	-

Reconciliation of investment property - 2009

	Opening Balance	Transfers	Depreciation	Total
Investment property	-	573 161	(30 166)	542 995

Details of property

Erven 231 and 232 (Hotel and House)

Commencement: 1 December 1995

Duration : 12 Years

Termination date: 30 November 2007

Payments : Monthly in advance.

Erven 229 , 735 and 736

(Land - Shopping Complex)

Commencement: 19th June 1996

Duration : 50 Years

Termination date: 18th June 2030

Payments : Year one 8 % of net rentals

: Year two 9% of net rentals

: Remainder 10% of net rentals

Which together with the 2% payable to the Trust will not be less than R14,800.00 per year.

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
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4. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	19 960 483	(2 700 488)	17 259 995	20 269 025	(2 461 849)	17 807 176
Infrastructure	31 764 414	(5 362 932)	26 401 482	22 578 806	(3 179 089)	19 399 717
Community	4 707 615	(610 781)	4 096 834	3 406 033	(463 125)	2 942 908
Other property, plant and equipment	9 299 903	(4 831 195)	4 468 708	9 977 634	(4 998 844)	4 978 790
Heritage	342 605	-	342 605	-	-	-
Total	66 075 020	(13 505 396)	52 569 624	56 231 498	(11 102 907)	45 128 591

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land and buildings	17 807 176	978 985	(40 001)	(915 766)	-	(570 399)	17 259 995
Infrastructure	19 399 717	9 185 608	-	-	-	(2 183 843)	26 401 482
Community	2 942 908	1 301 581	-	-	-	(147 655)	4 096 834
Other fixed assets	4 978 790	885 867	(68 157)	(420 721)	39 006	(946 077)	4 468 708
Heritage	-	-	-	342 605	-	-	342 605
	45 128 591	12 352 041	(108 158)	(993 882)	39 006	(3 847 974)	52 569 624

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land and buildings	2 434 963	8 453 680	-	7 222 298	(303 765)	17 807 176
Infrastructure	17 459 498	5 850 813	-	(2 845 294)	(1 065 300)	19 399 717
Community	1 649 376	1 363 733	-	-	(70 201)	2 942 908
Other fixed assets	3 201 130	2 783 548	(75 049)	-	(930 839)	4 978 790
	24 744 967	18 451 774	(75 049)	4 377 004	(2 370 105)	45 128 591

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R				
5. Intangible assets						
	2009	2008				
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	952 622	(340 836)	611 786	-	-	-

Reconciliation of intangible assets - 2009

	Opening Balance	Revaluations	Depreciation	Total
Computer software, other	-	773 611	(161 825)	611 786

6. Assets in construction

This consists of

Umzimkhulu Sports Field	-	321 998 :
Nhlambamsoka	4 052 049	113 432
Umzimkhulu Main Street	11 350 855	1 008 364
Skoon plaas access road	7 506 641	1 951 305
Mtshazo access road	-	861 714
Esihlontlweni Access road	-	3 160 391
1Vierkant access Road	-	1 330 802
Marhewini sports field	1 412 048	958 798
Esikhewini River crossing	989 053	35 620
Ntisikeni sports field	2 930 052	681 266
Goso Access Road	-	2 349 349
Urban Regeneration Flats	781 372	781 372
Bonderand Access Road	2 177 520	135 549
Rockymount Access Road	2 585 303	140 000
Mnceba Access Road	2 426 575	157 900
Khiliva Access Road	1 793 795	-
T10 DEDA	1 326 216	-
Rietvlei Taxi Rank	2 095 582	-
Theefantein Access Road	1 703 393	-
Elusizini	1 629 288	-
Mbulumba Access Road	-	-
Council Chamber	-	-
Total	44 759 742	13 987 860

7. Investments

Investments consist of the following:

FNB S/Call 32 Day	468 908	3 739 521
FNB Clyesdale	11 837 392	10 798 303
FNB Council Chambers	30 241	28 444
FNB Ext 5&6	1 528 401	1 404 970
FNB Ibisi	988 165	1 214 859
MSIG	138 309	213 141

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
7. Investments (continued)		
MAP	3 295 800	4 228 033
MIG	2 234 561	2 578 386
Project Consolidate	102 134	1 225 990
Reitvl/Cly	678 375	625 722
Riverside Phase 1	805 048	903 638
Riverside Phase 2	4 085 275	3 750 243
Rural /Disaster	5 722 520	5 207 432
Sports Facility	236 642	448 950
Urban Renewal special project	6 286 045	9 156 057
Urban Renewal flats	2 126 995	1 412 134
Investment in Drought Relief	<u>1 374 907</u>	<u>-</u>
Total	<u>41 939 718</u>	<u>46 935 823</u>
8. Trade and other receivables from exchange transactions		
Other receivables	1 068 198	4 454 173
Donations	-	19 800
Provision for bad debts	(490 815)	(3 909 073)
Lease debtor	3 834	3 834
Other	107 306	66 358
Advance salaries	153 763	157 158
	<u>842 286</u>	<u>792 250</u>
9. Other receivables - VAT		
VAT	2 188 573	6 209 038
10. Consumer debtors		
Gross balances		
Rates and refuse	8 527 429	11 935 813
Less: Provision for bad debts		
Rates and refuse	(6 837 132)	(10 599 373)
Net balance		
Rates and refuse	1 690 297	1 336 440
Reconciliation of provision for impairment of consumer debtors		
Opening balance	(10 599 373)	(7 812 079)
Provision for impairment	(1 529 498)	(2 787 294)
Amounts written off as uncollectible	5 291 740	-
	<u>(6 837 131)</u>	<u>(10 599 373)</u>

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
10. Consumer debtors (continued)		
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7 000	7 000
Bank balances	461 870	-
Bank overdraft	-	(94 395)
	468 870	(87 395)
Current assets	468 870	7 000
Current liabilities	-	(94 395)
	468 870	(87 395)
12. Government grant reserve		
Balance at beginning of year	-	13 998 838
Off-setting depreciation	-	(889 038)
Transfer to accumulated surplus	-	(13 109 800)
	-	-
13. Finance lease obligation		
Minimum lease payments due		
- within one year	81 567	70 710
- in second to fifth year inclusive	45 375	126 951
Present value of minimum lease payments	126 942	197 661
Present value of minimum lease payments due		
- within one year	81 567	70 710
- in second to fifth year inclusive	45 375	126 951
	126 942	197 661
Non-current liabilities	45 375	126 951
Current liabilities	81 576	70 710
	126 951	197 661
The average lease term was 5 years at variable rates. The effective interest rate for the current year is 14.38%.		
Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.		
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. .		
14. Unspent conditional grants and receipts		
Deferred income comprises:		
Unspent conditional grants and receipts		
FMG Fund	-	210 738
Integrated Development Plan Fund	-	96 561
Survey Fund	759 397	721 287
Sports Facility Grant Fund	450 618	633 824

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
14. Unspent conditional grants and receipts (continued)		
MIG Fund	-	5 416 341
MSIG Fund	-	395 924
DTLGA Council Chamber Grant	-	468 188
MAP Grant	2 807 392	3 676 888
Project Consolidate	377 710	1 225 990
Technical Support Grant	-	201 945
Urban Renewal Special Projects	6 719 268	9 087 160
Urban Renewal Flats	683 980	1 271 823
Drought Relief	1 374 907	1 288 301
Seta Grant	77 132	1 861
DLGTA - Grant Housing	407 998	-
Total	13 658 402	24 696 831
	13 658 402	24 696 831

These amounts are invested in a ring-fenced investment until utilised.

15. Trade and other payables

Salaries Control	-	68 916
Accrued leave pay	888 047	998 987
Accrued bonus	788 400	788 400
Accrued expenses	3 787 094	1 293 756
MIG Accruals	(4)	-
Deposits received	42 615	42 615
Housing projects	23 176 094	21 976 566
	28 682 246	25 169 240

16. Revenue

Rendering of services - rates and refuse	2 946 982	2 718 001
Rental Income	262 588	287 246
Interest received	675 318	574 823
Licences and permits	-	1 612 829
Government grants	95 563 155	35 539 678
Motor vehicle licences	222 361	99 539
Miscellaneous other revenue	1 001 334	763 947
	100 671 738	41 596 063

17. Government grants and subsidies

Urban Renewal Special Project	56 116 605	534 105
MIG Fund	207 204	-
LED Grant	-	148 464
FMG Fund	-	558 652
Equitable share	36 313 077	28 407 475
Other Grants	2 926 269	4 341 572
Seta Grant	-	22 000
MSIG Fund	-	1 527 410
	95 563 155	35 539 678

Equitable Share

In terms of the constitution, this grant is used to subsidize the provision of basic services to indigent community members

FMG Fund

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
17. Government grants and subsidies (continued)		
Balance unspent at beginning of year	210 737	279 147
Current-year receipts	250 000	500 000
Conditions met - transferred to revenue	(333 637)	(558 652)
Conditions met transferred to Accumulated Surplus	(127 100)	-
Conditions met - transferred to deferred income	-	(9 758)
	-	210 737
IDP Fund		
Balance unspent at beginning of year	96 562	146 529
Current-year receipts	-	250 000
Conditions met - transferred to revenue	(96 562)	(299 967)
	-	96 562
Survey Fund		
Balance unspent at beginning of year	721 288	727 088
Conditions met - transferred to revenue	-	(52 800)
Interest	38 110	47 000
	759 398	721 288
Sport Facility Grant Fund		
Balance unspent at beginning of year	633 823	2 243 355
Conditions met - transferred to revenue	(207 876)	(1 746 958)
Interest	24 671	137 426
	450 618	633 823
MIG Fund		
Balance unspent at beginning of year	5 416 340	2 267 777
Current-year receipts	23 654 855	17 797 650
Conditions met - transferred to revenue	(29 238 689)	(14 858 377)
Interest	167 494	209 290
	-	5 416 340
MSIG Fund		
Balance unspent at beginning of year	395 923	415 015
Current-year receipts	800 000	1 470 459
Conditions met - transferred to revenue and accumulated surplus	(1 242 293)	(1 527 410)
Interest	46 370	37 859
	-	395 923
DTLGA Council Chamber Grant		
Balance unspent at beginning of year	468 188	4 716 281
Conditions met - Transferred to Accumulated Surplus	(469 985)	-
Conditions met - transferred to revenue	-	(4 419 413)
Interest Received	1 797	171 320
	-	468 188
MAP Grant		

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
17. Government grants and subsidies (continued)		
Balance unspent at beginning of year	3 676 888	2 548 349
Current-year receipts	300 000	2 450 000
Conditions met - transferred to revenue	(1 540 677)	(1 453 715)
Interest	371 180	261 924
Conditions met transferred to deferred income	-	(129 670)
	2 807 391	3 676 888
Project Consolidate		
Balance unspent at beginning of year	1 225 990	1 125 381
Conditions met - transferred to revenue	(914 972)	-
Interest	66 692	100 609
	377 710	1 225 990
Technical Support Grant		
Balance unspent at beginning of year	201 945	500 000
Conditions met - transferred to accumulated surplus	(201 945)	-
Conditions met - transferred to revenue	-	(228 877)
Conditions met transferred to deferred income	-	(69 178)
	-	201 945
Urban Renewal - Special Projects		
Balance unspent at beginning of year	9 087 161	-
Current-year receipts	19 392 524	13 100 000
Conditions met - transferred to revenue	(22 909 545)	(534 105)
Interest	1 149 129	377 030
Conditions met transferred to deferred Income	-	(3 855 764)
	6 719 269	9 087 161
Urban Renewal - Flats		
Balance unspent at beginning of year	1 271 823	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(781 372)	(781 372)
Interest	193 529	53 195
	683 980	1 271 823
Seta Grant		
Balance unspent at beginning of year	1 861	-
Current-year receipts	350 271	23 861
Conditions met - transferred to revenue	(275 000)	(22 000)
	77 132	1 861
Drought Relief		
Balance unspent at beginning of year	1 288 301	1 400 000
Interest	86 606	-
Prior year correction	-	(111 699)
	1 374 907	1 288 301

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
17. Government grants and subsidies (continued)		
DLGTA Grant - Housing		
Current-year receipts	1 470 000	-
Conditions met - transferred to revenue	(1 062 002)	-
	407 998	-

18. General expenses

Advertising	69 478	-
Consulting and professional fees	1 481 849	254 385
Hired facilities	197 815	-
Insurance	461 048	-
Lease rentals on operating lease	412 912	570 007
Levies	604 315	468 992
Printing and stationery	127 760	-
Transport and freight	96 892	-
Training	4 789	-
Uniforms	48 376	-
General expenses	24 285 932	11 225 194
Office equipment	171 202	(39 920)
Grants and subsidies paid	5 688 232	6 026 719
Contributions	1 834 394	5 539 444
	35 484 994	24 044 821

Included in contributions is a contribution to the bad debts provision and the leave provision.

19. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Motor vehicles		
• Contractual amounts	68 650	9 540
Equipment		
• Contractual amounts	344 262	560 467
	412 912	570 007

Surplus (deficit) on sale of property, plant and equipment	991 842	(75 049)
Amortisation on intangible assets	161 825	-
Depreciation on property, plant and equipment	3 847 974	2 370 105
Depreciation on investment property	30 166	-
Employee costs	24 300 478	20 532 171

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
20. Employee related costs		
Basic	12 980 453	10 420 088
Bonus	1 326 984	1 586 586
Medical aid - company contributions	498 416	394 112
UIF	105 495	93 474
Other short term costs	3 536	3 318
Post-employment benefits - Pension - Defined contribution plan	1 175 283	1 088 774
Travel, motor car, accommodation, subsistence and other allowances	571 031	493 944
Overtime payments	-	14 792
Acting allowances	105 927	26 415
Housing benefits and allowances	601 370	627 990
	17 368 495	14 749 493

Remuneration of Municipal Manager

Annual Remuneration	434 354	404 747
Travel Allowance	180 981	168 458
Performance Bonuses	89 147	108 000
Contributions to UIF, Medical and Pension Funds	82 290	81 975
Housing Allowance	21 718	20 126
Cellphone	18 000	-
Backpay	22 858	-
	849 348	783 306

Remuneration of Chief Finance Officer

Annual Remuneration	325 387	294 234
Travel Allowance	135 578	122 598
Performance Bonuses	56 393	83 160
Contributions to UIF, Medical and Pension Funds	54 116	50 511
Housing Allowance	27 000	18 445
Cellphone	12 000	-
Backpay	13 671	-
	624 145	568 948

Remuneration of the Manager : Traffic and Licensing

Annual Remuneration	-	177 709
Travel Allowance	-	74 046
Performance Bonuses	-	83 160
Contributions to UIF, Medical and Pension Funds	-	28 129
Housing Allowance	-	8 886
Cell phone Allowance	-	8 886
	-	380 816

Remuneration of Corporate Services Manager

Annual Remuneration	321 952	295 571
Travel Allowance	134 147	123 148
Performance Bonuses	56 393	83 160
Contributions to UIF, Medical and Pension Funds	51 950	45 809
Housing Allowance	28 538	23 483
Cellphone	12 000	-
	604 980	571 171

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
20. Employee related costs (continued)		
Social Services		
Annual Remuneration	321 952	-
Car Allowance	134 147	-
Performance Bonuses	53 453	-
Contributions to UIF, Medical and Pension Funds	48 293	-
Housing Allowance	32 195	-
Cellphone	12 000	-
Backpay	11 962	-
	614 002	-
Procurements and infrastructure (planning, transport and environmental affairs)		
Annual Remuneration	319 280	242 968
Travel Allowance	133 030	101 230
Performance Bonuses	53 453	83 160
Contributions to UIF, Medical and Pension Funds	51 547	37 685
Housing Allowance	28 271	20 652
Cellphone Allowance	12 000	-
Backpay	11 962	-
	609 543	485 695
Remuneration of Manager: Technical Services		
Annual Remuneration	325 387	298 243
Travel Allowance	117 589	74 561
Performance Bonuses	56 393	83 160
Contributions to UIF, Medical and Pension Funds	98 089	125 740
Cellphone Allowance	12 000	-
Backpay	14 293	-
	623 751	581 704
21. Remuneration of councillors		
Mayor	444 845	417 379
Deputy Mayor	355 875	193 257
Executive Committee	1 217 759	1 203 306
Speaker	298 588	330 910
Councillors	4 281 283	3 405 028
Chief Whip	333 633	232 798
	6 931 983	5 782 678
22. Depreciation and amortisation		
Property, plant and equipment	3 847 974	2 370 105
Investment property	30 166	-
Intangible assets	161 825	-
	4 039 965	2 370 105
23. Finance costs		
Current borrowings	22 764	95 442

Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
24. Cash generated from operations		
Surplus (deficit) before taxation	35 893 288	(2 760 466)
Adjustments for:		
Depreciation and amortisation	4 039 965	2 370 105
(Surplus) deficit on sale of assets	(991 842)	75 049
Interest received	(743 396)	(1 026 305)
Finance costs	22 764	95 442
Depreciation Government grants	-	889 038
Adjustment	3 014 031	9 335 972
Changes in working capital:		
Trade and other receivables from exchange transactions	(50 038)	1 658 504
Consumer debtors	(353 857)	556 950
Trade and other payables	3 513 006	3 416 229
VAT	4 020 465	(1 899 627)
Unspent conditional grants and receipts	(11 038 428)	8 327 910
	37 325 958	21 038 801

25. Commitments

Authorised capital expenditure

Commitments in respect of capital expenditure - approved and contracted for:

• Infrastructure	41 313 276	48 485 715
Not yet contracted for and authorised	840 000	29 517 170

26. Contingencies

The municipality has instituted legal action against a municipal employee for the theft of funds approximating R 598 999.

27. Prior period errors

The adjustments as indicated in Accumulated surplus in the Statement of Changes in Equity consist of the following errors that have been identified

Statement of financial position

Property, plant and equipment - Water and Sewage Assets	-	2 877 729
Property Plant and Equipment - unrecorded properties	-	8 542 420
Restatement of Drought Relief Balance	-	111 699
Correct of Lease Liability - Ford	-	9 183
Depreciation raised on assets not yet completed	-	37 032
Recognising costs 06/07 Clydesdale access road - completed in current year	-	803 824
Recognising costs 05/06 Council Chamber - completed in the current year	-	4 034 267
Total	-	<u>10 660 696</u>

Statement of financial performance

Recording of prior year depreciation on unrecorded properties	-	(1 324 718)
Recording of additional depreciation on prior year assets	(39 006)	-
Write off of grant funds spent	(1 270 754)	-
Write off of debtor paid in prior year	19 800	-
Total	<u>(1 289 960)</u>	<u>(1 324 718)</u>

28. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	57 371
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Umzimkhulu Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
28. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Current year subscription / fee	5 300	81 858
Amount paid - current year	(5 300)	(139 229)
	-	-

Audit fees

Current year amount	782 996	659 791
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PAYE and UIF

Opening balance	(10 568)	-
Current year amount	3 174 526	2 640 842
Amount paid - current year	(3 174 526)	(2 651 410)
	(10 568)	(10 568)

Pension and Medical Aid Deductions

Current year amount	2 710 958	3 695 261
Amount paid - current year	(2 710 958)	(3 695 261)
	-	-

VAT

VAT receivable	2 188 573	6 209 038
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VAT output payables and VAT input receivables are shown in note .

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2009:-

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JS Mzizi	225	562	787
Councillor Goodman/Wardle	581	9 336	9 917
Councillor Phakathi/Mazinyo	262	737	999
Councillor D. Zulu	276	2 092	2 368
	1 344	12 727	14 071